



State of Utah
Department of
Commerce
FRANCINE GIANI
Executive Director
THAD LEVAR
Deputy Director
**Division of
Public Utilities**
CONSTANCE B. WHITE
Director

JON HUNTSMAN Jr.
Governor

GARY HERBERT
Lieutenant Governor

September 6, 2006

MEMORANDUM

TO: Public Service Commission of Utah

FROM: Division of Public Utilities
Constance B. White, Director
Bruce Scott Moio, Technical Consultant

RE: Apple Valley Water Company Request for Rates, Rules, and Regulation for Water Service **Docket No. 06-2178-T02**

RECOMMENDATION

Based on its audit and analysis the Division concludes that the rates proposed by Apple Valley Water Company are to be modified in order to be just and reasonable. The Division recommends that the Commission allow for the new connection fee increase with no other change to rates, fees or charges, and that a hearing be scheduled as soon as possible. The new connection fee shall become effective after modification of tariff and immediately upon the Commissions final order.

SUMMARY

The Division has reviewed the application for Rates, Rules, and Regulation for Water Service for Apple Valley Water Company (Company). The Company received its Certificate in Docket No. 91-2178-01 on June 12, 1991. The Company has had a rate increase in 2001 and is now seeking to have a new tariff approved.



The Company is a corporation in good standing and has adequate water rights to serve its current connections.

The Company has filed a tariff requesting the following:

- \$25 per month for the First 15,000 gallons
- \$1 per 1,000 gallons for 15,001 gallons and above

- \$3,000 connection fee for 1" service to property line
- \$5 per month stand-by fee (no change)

- \$10 Turn-on service where meter is already in place (no change)

ANALYSIS

The Company provided the Division a 2005 income statement shown in Exhibit 1.1 . The Division had four adjustments to the income statement. The adjustments were; (A) reducing the new connection fees collected because the number of new connections going forward is expected to be less than those in 2005, (B) the purchased power expense was increase to more accurately reflect what the average has been over the past several years, (C) the regulatory fee was added, and (D) the salary expense was increased to more accurately reflect what is being paid.

The rate base of the water company consists of the plant in service less accumulated depreciation. The Division adjusted plant in service by \$60,000 to reflect some well improvements that are being completed now. Also cash working capital is added to rate base, shown on Exhibit 1.2. The rate of return of 10.36% on a rate base of \$153,985, with taxes and operating expenses leaves the revenue requirement totaling \$54,272 (see Exhibit 1.3).

At the proposed rates the Company will have an annual revenue overage of \$18,117 see Exhibit 1.4. The Division analysis shows the new usage and tiered rates are not needed by the Company at this time. The Division has discussed this with Company representatives and they agree to leave the usage rates as they were prior to their filing.

The proposed connection fee of \$3,000 is at a level that is now the average for most water companies in the State and better reflects the costs involved in connecting a lot to the system. The Division recommends the connection fee of \$3,000 be approved by the Commission.

RATES

The Division recommends the following rates for Apple Valley Water Company:

- \$3,000 connection fee for 1" service to property line
- All other rates, charges and fees to remain, with no increases or additions.